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SUBJECT: KAZAKHSTAN PREPARING FOR GREATER INVOLVEMENT IN
AFGHANISTAN

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11. (U) Summary: On May 25, SCA Special Envoy for Assistance to Afghanistan Ambassador Ronald Neumann briefed key government and business officials on the current situation in Afghanistan with the aim of encouraging greater Kazakhstani involvement in reconstruction and stabilization efforts. The Kazakhstani officials acknowledge the importance of a stable Afghanistan to their own interests, and are in the process of developing an aid program for Afghanistan and encouraging Kazakhstani businesses to invest in projects in Afghanistan. The Government of Kazakhstan requested additional information on potential projects in Afghanistan, and appears open to guidance from the international community. End summary.

KAZAKHSTAN: "CONSENSUS HERE TO DO MORE" IN AFGHANISTAN

12. (U) On May 25, Ambassador Neumann met with Vice Minister of Foreign Affairs Nurlan Yermekbayev, Vice Minister of Industry & Trade Kuandyk Bishimbayev, Vice Minister of Defense General Bolat Sembinov, and the Prime Minister's international relations section head Serikbay Zhumabayev to discuss potential Kazakhstani involvement in Afghanistan. In addition, he met with Ulf Wokurka, deputy chairman of the Samruk state holding company, and Maksat Mukhanov, managing director of the Kazyna Sustainable Development Fund, to discuss business and investment opportunities in Afghanistan. Ambassador Neumann described the current political, economic, and military situation in Afghanistan, the importance of success in Afghanistan for the whole region, and the priorities for reconstruction and infrastructure development in Afghanistan.

13. (SBU) Ambassador Neumann's interlocutors consistently reported that the Government of Kazakhstan knows the importance of stabilizing Afghanistan and is prepared to step up its involvement there, both through development/humanitarian assistance and business investment. Vice Minister Yermekbayev headed a Kazakhstani delegation to Afghanistan in April, and said that there is a "consensus here to do more" in Afghanistan. He also noted that the Afghans were openly expecting assistance and investment from Kazakhstan, given Kazakhstan's proximity and economic success. Vice Minister Bishimbayev also participated in the April delegation to Kabul, and agreed that stability in Afghanistan is crucial to stability in the whole region. Zhumabayev of the Prime Minister's office said that Kazakhstan's relationship with Afghanistan is a priority, and that Kazakhstan supports all initiatives aimed at stabilizing Afghanistan, particularly initiatives made through the Conference on Interaction and Confidence Building Measures in Asia, the Shanghai Cooperation Organization, and the Collective Security

KAZAKHSTAN CURRENTLY CRAFTING ASSISTANCE PACKAGE

¶4. (SBU) Bishimbayev heads the Kazakhstani side of a joint Kazakhstan-Afghanistan commission established to study Kazakhstani assistance and investments in Afghanistan and develop an aid program for Afghanistan. Bishimbayev reported that Kazakhstan is considering an aid program in the range of \$25-50 million, and is currently focused on the construction of a hospital and the renovation or construction of schools. He also said that Kazakhstan would eventually like to provide technical training to Afghans at Kazakhstani educational institutions. According to Bishimbayev and Yermekbayev, Kazakhstan hopes to finalize its assistance proposal in June, circulate it for interagency approval, and then host an Afghan delegation in August to discuss the program.

¶5. (SBU) Bishimbayev indicated that Kazakhstan is very interested in obtaining additional information from the Afghan government and the international community about various projects under consideration in Afghanistan, and responded with interest when Ambassador Neumann discussed the importance of airport, road, and infrastructure projects. He said that the Kazakhstani side has requested more detailed and comprehensive information from the Afghan government on the various ongoing and anticipated projects that Kazakhstan might become involved in, but that he is still awaiting a response from the Afghan side. He expressed some frustration that he does not know the identity of his counterpart on the Afghan side of the commission after his initial contact, former Deputy Commerce Minister Hyder Reza, resigned. Bishimbayev said that the Government of Kazakhstan currently communicates with the Government of Afghanistan through the Ministry of Foreign Affairs. (Note: Post has already compiled some of the information Bishimbayev requested, and will forward it to him. End note.)

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KAZAKHSTANI BUSINESSES SEEK INVESTMENT OPPORTUNITIES

¶6. (SBU) Yermekbayev and Bishimbayev also reported that the Government of Kazakhstan is attempting to facilitate Kazakhstani business investment in Afghanistan. Yermekbayev said that a Kazakhstani mining company is already bidding on a copper mining venture in Afghanistan, and expressed hope that Kazakhstani companies would find success in the bidding process for various projects. Bishimbayev said that Kazakhstani companies were exploring projects including the construction of electric transmission lines from Tajikistan and railroad links from Central Asia to Afghanistan.

¶7. (SBU) Mukhanov, managing director of the government-affiliated Kazyna Sustainable Development Fund, said that Kazyna stands ready to support private Kazakhstani companies interested in joint ventures in Afghanistan. Kazyna supports private investment in coordination with government policy, and offers support in the form of co-funding, credit, and insurance. He said that a Kazyna representative participated in the Kazakhstani delegation to Kabul in April, and Kazyna has studied potential areas of cooperation between Kazakhstan and Afghanistan, but has not yet been involved in any Afghan projects. Mukhanov reported that Kazyna is interested in additional information about doing business in Afghanistan, including how to promote Kazakhstani companies, factors for Kazakhstani companies to be aware of, and the legal framework for business activities in Afghanistan.

¶8. (SBU) Wokurka, deputy chairman of the Samruk state holding company, explained that the state companies under the Samruk umbrella are not currently involved in any projects in Afghanistan, though it is conceivable they may be interested in the future. (Note: Samruk manages government-owned stock in Kazakhstan's major business companies, including KazMunaiGaz, KazakhTelecom, the KazTemirZholy railroad company, and the KEGOC transmission grid

company. End note.) Wokurka stated that in December 2006, Samruk was empowered to undertake infrastructure-related investment projects, though at this point investment projects are limited to those in Kazakhstan and its immediate neighbors.

¶9. (SBU) Wokurka responded with interest to two projects described by Ambassador Neumann: a possible project to increase the capacity of Turkmenistani power transmission lines to Afghanistan, and a project to extend a portion of the Uzbek power transmission grid to Afghanistan. Wokurka requested additional information on these projects, and promised to contact the appropriate officials at the KEGOC transmission grid company to gauge their interest. (Note: Post has already forwarded additional information to Wokurka concerning the Uzbek power project. End note.)

¶10. (SBU) Poloff asked Wokurka about the possible future export of excess electric energy capacity from southern Kazakhstan to Afghanistan. Wokurka said that Samruk was involved in financing a new coal fired power plant near Lake Balkhash and a new hydroelectric plant, but these projects would be devoted to serving the energy needs of southern Kazakhstan, and would not produce sufficient energy for export.

DEFENSE MINISTRY ENGAGES ON MILITARY ISSUES

¶11. (SBU) In his meeting with General Sembinov, Ambassador Neumann received an overview and Kazakhstani perspective on the bilateral defense cooperation relationship. Sembinov noted that the U.S.-Kazakhstani partnership had strengthened over the years and was on the verge of becoming something more comprehensive. He highlighted the success of the HMMWV program, but noted with frustration the slowness of the Huey II program and the lack of progress on C-130 aircraft. Sembinov closed his presentation by stating that Kazakhstan had taken great political risk in going with U.S. equipment, and that now it was the U.S.' turn to show its commitment to the bilateral relationship by following through on both the Huey II helicopter and C-130.

¶12. (SBU) Ambassador Neumann then provided a detailed briefing on the current tactical situation in Afghanistan. Sembinov and his staff were very interested in the threat level of each of the main Afghan sectors (north, east, south, and west), as well as the role of Provincial Reconstruction Teams (PRTs) in Afghanistan. Sembinov

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was also interested in Ambassador Neumann's assessment of Taliban combat tactics and their success (or lack thereof) on the battlefield. Sembinov provided no further details about possible Kazakhstani participation in a PRT, but said he understood that a KAZBRIG Peace Support Operation deployment somewhere in the near-term was essential to the long-term health of the KAZBRIG.

KAZAKHSTAN CAUTIOUS ABOUT MANAS AIR BASE

¶13. (SBU) In his meeting with Yermekbayev, Ambassador Neumann stressed the strategic importance to operations in Afghanistan of the Manas Air Base in Kyrgyzstan, and encouraged the Government of Kazakhstan to support continued operations at the base. Yermekbayev said that Kazakhstan supports the ongoing anti-terrorist campaign in Afghanistan, and promised to consider the United States government viewpoint on Manas Air Base, including at the upcoming Shanghai Cooperation Organization meeting. However, he cautioned that Kazakhstan cannot interfere in another country's internal affairs, and that perceived Kazakhstani involvement in Kyrgyz affairs was a sensitive issue in Kyrgyz politics.

¶14. (SBU) Ambassador Neumann also discussed Manas Air Base with Sembinov. Neumann thanked Sembinov for Kazakhstan's support to both Operation Iraqi Freedom and Operation Enduring Freedom, and said that the operations of Manas Air Base would be far less effective without on-going Kazakhstani support (blanket overflight clearance and Almaty airport emergency divert landing support). Ambassador

Neumann asked for Kazakhstan's support at the upcoming August Shanghai Cooperation Organization summit in Bishkek in deflecting calls for the removal of the airbase. Sembinov stated that while the summit was a political matter, he understood the airbase's importance to coalition operations in Afghanistan, noting that Kazakhstan had proven its reliability as a partner in the War on Terror.

COMMENT

¶15. (SBU) Comment: Kazakhstan officials are sincere in their recognition that stabilizing Afghanistan is crucial to the region, and the government appears poised to translate its verbal support for rebuilding Afghanistan into concrete action. The planned \$25-50 million aid package is larger than Post anticipated, and Kazakhstan appears willing to tailor its involvement toward international priorities, including infrastructure projects. Kazakhstan remains understandably cautious about venturing into new territory as a donor, in part due to lack of an assistance implementation mechanism; lack of information and poor communication with their Afghan counterparts may also hinder progress. Post will continue to supply the government with information concerning Afghanistan and encourage continued movement on their aid package and business investments. End comment.

MILAS